

PHILIP B. SCOTT  
Governor



State of Vermont  
OFFICE OF THE GOVERNOR

June 14, 2018

The Honorable William M. MaGill  
Clerk of the Vermont House of Representatives  
115 State Street  
Montpelier, VT 05633

Dear Mr. MaGill:

I appreciate that the new budget sets the homestead "yield" at the current level, and that some effort was made to separate the remaining areas of disagreement from the budget. I also appreciate that several amendments to H.13, though they were not adopted, were introduced by both Democrats and Republicans in the House and Senate. These amendments, if they had passed, would have either removed a \$23 million tax rate increase set to occur on July 1<sup>st</sup> or set the non-residential rate for fiscal year 2019 at the current level. Either of these approaches could lead to a reasonable and timely compromise.

As you know, as a matter of principle, I believe Vermonters deserve a break and the opportunity to keep more of what they earn. I also believe employers need a more stable and predictable environment in which they can invest, grow and create more good jobs. I understand, and respect, not everyone in the Legislature shares this point of view.

Nevertheless, our large and growing surplus (\$55.5 million since the January 2018 consensus forecast), combined with other unanticipated revenue, allows us to craft a budget and tax bill that fully funds school budgets, keeps statewide property tax rates level and makes a significant payment towards the unfunded teachers' retirement debt.

Unfortunately, as the Administration and others have noted, H.13 leaves in place an automatic \$23 million (5.5 cent) property tax rate increase on non-residential payers – our rental property owners and renters, camp owners, and employers.

Without a commitment from legislative leaders that we can achieve level property tax rates, or an amendment that would prevent the automatic 5.5 cent property tax rate increase on non-residential payers, I cannot support H.13. As a result, pursuant to Chapter II, Section 11 of the Vermont Constitution, I am returning H.13, *An act relating to making appropriations for the support of government*, without my signature because of my objections described herein.

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As noted, I do understand that many members of the Legislature do not share my view on avoiding tax increases. If the Legislature does not agree with my reasoning, the Constitution provides a mechanism – a veto override vote – to resolve the disagreement.

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If my decision is sustained, there is ample time for the Legislature to work with the Administration to pass a budget and tax bill I can support.

One easy solution to resolve the budget debate would be to send me a new bill that prevents the automatic increase in the non-residential rate. This would ensure we have a budget in place long before July 1 and require us to work together, on a level playing field, to resolve our remaining differences in the tax bill.

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It is important for Vermonters to know that there are many other options available to the Legislature to ensure government operations are not, in anyway, impacted by our discussions. As I have said many times, I do not want to see any disruption in government services, and I believe the Legislature shares this goal as well.

For this reason, I have directed my Administration to proceed with the full expectation that state government will be entirely operational on July 1<sup>st</sup>. Here is why:

First, our area of disagreement is very small and given our \$55 million surplus, which is expected to continue to grow, we do not need to increase statewide property tax rates to fully fund school budgets or reduce the debt in the teachers' retirement system.

Second, we have plenty of time to come to agreement well in advance of July 1<sup>st</sup>. I'm confident with more focus – and an earnest commitment to meet in open session to discuss how we come to agreement – we can resolve the one remaining area of disagreement in a short amount of time.

So, as I have noted above, my Administration will proceed with the full expectation that state government will be fully funded on July 1<sup>st</sup>, unless the Legislature decides otherwise.

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We are four weeks into the Special Session, and I remain ready to work with the Legislature to achieve a consensus that will fully fund school budgets and strengthen our education system without raising property taxes in a year of unprecedented surplus and unexpected revenue.

I have directed my staff to make meetings with the Legislature our top priority and we will make ourselves available to them every day, and every night if necessary, to reach a resolution on this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Scott", with a long horizontal line extending to the right.

Philip B. Scott  
Governor

PBS/kp